

AFFORDABLE HOUSING :

- THE ROLE OF GOVERNMENT

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Financing Affordable Housing for Africa

“...the only real responsibility of any government is to take care of its people, particularly its poor. That is the test of civilisation....”

George Peabody
American Philanthropist



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The Role of Government in Low Income Housing

- The Government has a lead role to play in the development of low income housing, since this sector is unlikely to be initially attractive to the Private Sector;
- Key Opportunities for Intervention:
 - Legislation and Policy that support Low Income Housing Finance
 - Research and Development
 - Promoting Effective Partnerships with the Private Sector
 - Regulation and Standards
 - Incubating Institutionsandsustainable subsidy structures.



The Government as Enabler

- Legislation and Policy should be based on a single minded focus on ensuring adequate supply and effective demand for low income housing....e.g. Mali, Morocco.
- Strong Political Leadership and Commitment. A strong Housing Ministry with an up-to date Implementation Plan for Low Income Housing Delivery;
- Ensure Land use allocation specifically earmarks land for low income housing preferably as part of a mixed community.
- Promote Research and Development of alternative methods of construction



The Government as Enabler

- Promote effective partnerships with the Private Sector. It is critical to address the “distrust” between the Public and Private Sector;
- Incentivizing Capital Market participation in affordable/low income housing without undermining market fundamentals e.g. REITS, Tax waivers etc;
- Building housing delivery and well capitalised housing finance institutions with credibility in the Capital Market;



.....and money!

- It must be an accepted fact that Low Income housing (supply and demand) involves some form of subsidy to bridge the gap between the economic cost of housing and what people on low income can afford;
- We believe therefore that what is required by Government is a detailed assessment of the most appropriate subsidy framework which must be affordable, sustainable, transparent and provide good value for money;
- Financial resources to meet Subsidy requirements should form part of annual budgetary provisions.



PROPOSED LOW INCOME HOUSING PROJECT (2400 Homes) NAIROBI – KENYA



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Project Highlights

- Project is located on 60Ha site about 11km from the Nairobi City Centre
- Partnership between GoK , UN Habitat and Shelter Afrique.
- 2460 low income homes. Up to 70% of the units to be sold for between US\$6,000 – US\$25,000 with end user finance;
- Beneficiaries are identified Slum Dwellers organised into Co-Operatives;
- Strong Focus on design quality, sustainability and affordability;



Financing Solutions – a burden shared

■ Total Capital Cost : US\$57.4m

Cost Item	Financing Source
Land	Free Land from Government
Infrastructure	Bulk Infrastructure to site by Government
Build Cost + Fees	Private Finance by a consortium of lenders + Buyer Deposits
End User Finance	Housing Microfinance, Waivers on Stamp Duty and Transfer Costs
Cross -Subsidy	30% of the site developed for market value housing to generate income



Key Messages

1

Single minded **large scale housing programme** is required. Current approaches while well intended are not sufficient.

2

To succeed, the **resource issues, particularly financing structures** must be part of the planning process.

3

We must **combine** with the resources of the private sector **to attract financing**. Consider Joint PPP Housing Units



Key Messages



4

Define end user Affordability Framework (with local sensitivities) to guide housing delivery and planning.
Idea : **Link Affordability to Planning + Land Use.**



5

Foreign Capital is expensive, unreliable and unsustainable.

Idea : **Develop and Implement targeted framework for local capital sourcing.**



6

This will always be a journey of a thousand miles. There are no perfect solutions to low income/mass housing delivery. The best thing to do is learn by doing.



Thank you

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